

Message Text

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SUBJ: PEGASO MONOPOLY ON TRUCK AND BUS IMPORTS TO CHILE ENDS

REF: SANTIAGO 1042, FEBRUARY 7, 1977

1. SINCE JANUARY 1975, WHEN CORFO (CHILEAN DEVELOPMENT CORPORATION) RENEGOTIATED ITS CONTRACT WITH PEGASO OF SPAIN, THE CHILEAN IMPORT MARKET FOR TRUCKS AND BUSES HAS BEEN DOMINATED BY THIS SPANISH PRODUCER. THE AGREEMENT STIPULATED THAT ONLY PEGASOS COULD BE IMPORTED INTO CHILE, UNLESS THE PURCHASER COULD DEMONSTRATE THAT NO PEGASO MODEL COULD DO THE REQUIRED JOB. THE CHILEAN COMMITMENT WAS TO PURCHASE \$ 75 MILLION IN PEGASO VEHICLES BY 1981. WHAT WAS IN THE ORIGINAL DEAL FOR CHILE, MADE BY THE ALLENDE GOVERNMENT, HAS NEVER BEEN MADE PUBLIC.

2. ON JUNE 14 CORFO ANNOUNCED THAT PEGASO IMPORTS OF \$ 75 MILLION HAVE BEEN ACHIEVED WITH THE PLACEMENT OF ITS LAST ORDER FOR 1400 UNITS, FULFILLING CHILE'S OBLIGATION UNDER THE CONTRACT. THE NEXT STEP, EXPECTED PROMPTLY, IS FOR THE CENTRAL BANK TO PROMULGATE THE NECESSARY DECREES ALLOWING THE IMPORTATION OF TRUCKS AND BUSES OTHER THAN PEGASOS. THE CHILEAN TARIFF RATE ON TRUCKS AND BUSES BELOW 25 TONS IS 80 PERCENT AD VALOREM, AND 10 PERCENT ON VEHICLES EXCEEDING 25 TONS.

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3. THE TRUCK AND BUS POPULATION IN CHILE IS ESTIMATED AT 190,000 UNITS, OF WHICH ABOUT 75 PERCENT ARE U.S. BRANDS. THE REPUTATION OF U.S. TRUCKS REMAINS ALMOST UNCHALLENGED IN CHILE, WITH THOUSANDS OF VINTAGE MODELS STILL PERFORMING WELL. DEMAND OF U.S.-MADE TRUCKS, PARTICULARLY HEAVY DUTY DIESEL MODELS, SHOULD BE IMMEDIATE AND SIGNIFICANT.

4. DEALERS AND USERS OF TRUCKS HAVE LONG BEEN UNHAPPY WITH PEGASO'S MONOPOLY, POINTING OUT THAT PEGASO VEHICLES OFTEN HAD TO BE PUT TO USES FOR WHICH THEY WERE NOT DESIGNED. THE CORFO ANNOUNCEMENT HAS BEEN RECEIVED WITH WIDESPREAD WELCOME IN COMMERCIAL CIRCLES. OTHER THAN THE HIGH TARIFF RATE THAT IS PART OF THE GOC POLICY OF SPECIAL TREATMENT FOR THE LOCAL AUTOMOTIVE INDUSTRY, THE ABRUPT ENDING OF THE PEGASO MONOPOLY REMOVES STILL ANOTHER OF THE FEW REMAINING DISTORTIONS IN CHILE'S FREE TRADE POLICY.

5. USDOC - ACTION REQUESTED: PLEASE NOTIFY THE AMERICAN TRUCK AND BUS INDUSTRY OF THIS NEW MARKET OPENING IN CHILE. SHOULD ANY U.S. TRUCK MANUFACTURER NOT HAVE AN AGENT IN CHILE CURRENTLY, WE WOULD LIKE TO HEAR THEM. WE ALREADY KNOW OF TWO SERIOUS, CAPABLE CHILEAN FIRMS INTERESTED IN ADDING U.S. MADE TRUCKS TO THEIR SALES LINE.
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